

## Message Text

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ACTION AGR-20

INFO OCT-01 EUR-25 ISO-00 SPC-03 AID-20 EB-11 NSC-10

RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02

CIAE-00 COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12

LAB-06 SIL-01 L-03 PRS-01 PA-03 USIA-15 DRC-01 IO-13

NEA-10 /203 W

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P 191004Z SEP 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 4071

AMEMBASSY ROME PRIORITY

LIMITED OFFICIAL USE SECTION 1 OF 2 LONDON 10727

E.O. 11652: N/A

TAGS: EAGR, ECRP, XX

SUBJECT: RELEASE TO PRESS OF IWC SUMMARY

ROME FOR RICHARD BELL, C/O AGRICULTURAL ATTACHE

SECSTATE WASHDC FOR USDA/FAS, NOVOTNY, GRAIN AND FEED  
DIVISION

FOLLOWING SUBJECT TO MINOR EDITORIAL CHANGES IS THE  
SUMMARY OF RELEASE TO BE MADE BY IWC AFTER TODAY'S  
MEETING

QUOTE. PRICE DEVELOPMENTS

QUOTE. THE LAST REPORT ON WHEAT MARKET CONDITIONS ISSUED  
BY THE COUNCIL ON 22ND AUGUST 1973 DESCRIBED AS  
VERTIGINOUS THE ASCENT OF WHEAT PRICES FROM THE BEGINNING  
OF JULY TO MID-AUGUST 1973. EXPORT PRICES (FOB) OF  
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WHEAT TRADED ON THE WORLD MARKET SOARED TO NEW HIGHS

APPROACHING OR, AS IN THE CASE OF CANADIAN WHEAT, EXCEED-  
ING DOLS 200 A TON.

QUOTE MOVEMENTS OF INTERNATIONAL WHEAT PRICES IN  
RECENT WEEKS HAVE AGAIN BEEN DOMINATED BY DEVELOPMENTS IN  
THE UNITED STATES WHERE, IN THE THIRD WEEK IN AUGUST,  
FUTURES AND CASH PRICES WENT THROUGHT THE DOLS 5-A-BUSHEL  
MARK (DOLS 183.72 A TON). THIS FIGURE SEEMED TO HAVE A  
TWOFOOLD EFFECT: IT ATTRACTED SOME HEAVY SELLING ON THE  
PART OF FARMERS AND LED TO A SLOWING DOWN OF DEMAND.  
PRICES BEGAN TO EASE TO SOME EXTENT IN THE LAST WEEK IN  
AUGUST AND FIRST WEEK IN SEPTEMBER WHEN EXPORTING HOUSES  
STARTED BUYING AGAIN TO COVER FORWARD REQUIREMENTS. BY  
MID-SEPTEMBER, EXPORT (FOB) AND IMPORT (CIF) PRICES OF  
WHEAT IN MOST POSITIONS HAD MOVED UP AGAIN AND WERE BACK  
AT OR EVEN ABOVE THE LEVELS PREVAILING THREE WEEKS  
EARLIER.

#### QUOTE PRODUCTION

ACCORDING TO THE FIRST ESTIMATE OF WHEAT PRODUCTION IN  
CANADA IN 1973, BASED ON CROP CONDITIONS AS AT 15TH  
AUGUST, TOTAL OUTPUT IS EXPECTED TO BE 16.45 M. TONS  
(604.4 M. BUSHEL) OR 13.3 PERCENT LARGER THAN  
THAT OF 1972. THE UNITED STATES DEPARTMENT OF AGRICUL-  
TURE IN ITS LATEST ESTIMATE BASED ON CONDITIONS AS AT  
1ST SEPTEMBER, NOW PUTS TOTAL WHEAT PRODUCTION AT A  
RECORD 47.0 M. TONS (1,727.5 M. BUSHEL), COMPARED WITH  
THE AUGUST ESTIMATE OF 46.7 M. TONS (1,717 M. BUSHEL).

#### QUOTE TRADE

QUOTE DETAILS OF IDENTIFIED UNFILLED EXPORT ORDERS  
RELEASED BY THE UNITED STATES AMOUNTED TO NEARLY 22.3 M.  
TONS (820.3 M. BUSHEL) AS AT 31ST AUGUST. BY ADDING  
EXPORT INSPECTIONS DURING THE PERIOD FROM 1ST JULY TO  
31ST AUGUST 1973 OF 6.5 M. TONS (238 M. BUSHEL),  
REPORTED EXPORT COMMITMENTS FOR THE 1973.74 CROP YEAR  
WOULD TOTAL 28.8 M. TONS (1,058 M. BUSHEL). IF  
POTENTIAL EXPORTS OF FLOUR AND WHEAT PRODUCTS OF, SAY,  
1.5 M. TONS (56 M. BUSHEL) ARE ADDED TO THESE CURRENT  
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EXPORT COMMITMENTS AND IF ALL THE REPORTED COMMITMENTS  
MATERIALIZE, OVERALL EXPORTS COULD WELL EXCEED THE  
PROJECTED VOLUME OF 29.9 M. TONS (1,100 M. BUSHEL) FOR  
1973/74. IN CANADA THE WHEAT BOARD CONTINUES TO REFRAIN  
FROM SELLING WHEAT FOR SHIPMENT BEYOND 1973, UNTIL THIS  
YEAR'S CROP OUTURN AND GRADE PROSPECTS BECOME CLEARER.  
IT HAS BEEN REPORTED THAT TOTAL ADVANCE SALES OF WHEAT  
BY THE AUSTRALIAN WHEAT BOARD FOR SHIPMENT FROM 1ST

DECEMBER 1973 AMOUNT TO 1 M. TONS.

QUOTE. OUTLOOK

QUOTE. IN THE LAST REPORT ISSUED ON 22 ND AUGUST 1973, POTENTIAL EXPORT AVAILABILITIES AND IMPORT REQUIREMENTS IN THE JULY 1973-JUNE 1974 CROP YEAR WERE FORECAST AT 57 M. AND 66 M. TONS RESPECTIVELY. THE APPARENT SHORTAGE BETWEEN THE FORMER AND THE LATTER WAS THEREFORE INCREASED BY 1 M. TONS TO SOME 9 M. TONS, COMPARED WITH THE PROSPECTS AS SEEN AT THE END OF JUNE 1973. THE REPORT MADE THE POINT THAT THE POSSIBILITIES OF SUBSTITUTION MIGHT BE RATHER LIMITED SINCE COARSE GRAINS AND OTHER FEEDING-STUFFS HAD ALSO GONE UP IN PRICE AND WERE LIKELY TO BE IN TIGHT BALANCE.

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NSC-10 RSC-01 CIEP-02 TRSE-00 SS-15 STR-08 OMB-01

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OPIC-12 LAB-06 SIL-01 L-03 PA-03 PRS-01 USIA-15 DRC-01

/203 W

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P 191004Z SEP 73

FM AMEMBASSY LONDON

TO SECSTATE WASHDC PRIORITY 4072

AMEMBASSY ROME PRIORITY

LIMITED OFFICIAL USE SECTION 2 OF 2 LONDON 10727

ROME FOR RICHARD BELL, C/O AGRICULTURAL ATTACHE

SECSTATE WASHDC FOR USDA/FAS, NOVOTNY, GRAIN AND FEED  
DIVISION

QUOTE RECENTLY, HOWEVER, THE OVERALL SUPPLY SITUATION OF FOODGRAINS, COARSE GRAINS AND VEGETABLE PROTEIN FEEDS SEEMS TO HAVE TAKEN A TURN FOR THE BETTER. IN GENERAL, CROPS IN THE NORTHERN HEMISPHERE ARE EXPECTED TO BE VERY GOOD AND WILL, IN SOME INSTANCES, SET NEW RECORDS. THE SHARP RISE IN THE COSTS OF FEEDINGSTUFFS INEVITABLY LED TO INCREASES IN MEAT PRICES WHICH RESULTED IN CONSUMER'S RESISTANCE, PARTICULARLY IN THE UNITED STATES, TO PAYING THOSE HIGH PRICES. THERE ARE NOW INDICATIONS THAT, WHILE THE PRICE/DEMAND RELATIONSHIP MAY CONTINUE TO BE RELATIVELY INELASTIC IN THE CASE OF WHEAT, THE REVERSE COULD BE THE CASE AS FAR AS FEEDGRAINS ARE CONCERNED. THUS HIGH MEAT PRICES IN MANY REGIONS OF THE WORLD ARE LIKELY TO LEAD TO A REDUCTION, FIRST, IN MEAT CONSUMPTION AND, SECOND, IN ANIMAL NUMBERS. A DECLINE IN LIMITED OFFICIAL USE

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THE USE OF FEEDGRAINS WOULD FOLLOW WHICH, IN TURN, COULD POSSIBLY DIVERT QUANTITIES OF FEEDGRAINS, ESPECIALLY IN THE UNITED STATES, FROM DOMESTIC CONSUMPTION FOR EXPORT. MORE WHEAT COULD THEN BECOME AVAILABLE FOR HUMAN CONSUMPTION IN OTHER COUNTRIES. A CASE IN POINT WOULD BE THE EEC WHICH CURRENTLY USING ABOUT 9 M. TONS OF WHEAT FOR FEED IN 1973/74. THE MAIZE IMPORT REQUIREMENTS OF THE EEC ARE PUT AT A MINIMUM OF 10 M. TONS THIS YEAR. IF THE EEC COULD INCREASE ITS MAIZE IMPORTS WITHOUT UNDULY DISTURBING THE MARKET PRICES, IT COULD PROBABLY EXPORT MORE WHEAT THAN IS AT PRESENT FORECAST. FURTHERMORE, HIGH PRICES OF FEEDINGSTUFFS SHOULD LEAD TO THEIR MORE EFFICIENT USE IN ANIMAL RATIONS. INCREASED AVAILABILITIES OF SOYBEANS AND SOYBEAN MEAL COULD ALSO RESULT IN A REDUCTION OF THE QUANTITIES OF GRAIN FED.

QUOTE IT THUS SEEMS LIKELY THAT THE IMPROVEMENT OF THE COARSE GRAIN SITUATION IN THE UNITED STATES WILL ALLOW FOR MORE SUBSTITUTION THAN WAS ORIGINALLY THOUGHT POSSIBLE AND MIGHT RESULT IN AN EASING OF THE WHEAT SUPPLY SITUATION.

QUOTE. THERE STILL REMAIN THE UNCERTAINTIES OF THE SOUTHERN HEMISPHERE CEREAL CROPS AND OF THE RICE CROPS AND OTHER CROPS IN SOUTH ASIA, WHICH MAY PLAY A DETERMINANT ROLE IN THE WHEAT SUPPLY AND DEMAND SITUATION IN 1973/74. THERE ARE INDICATIONS THAT WHEAT PRODUCTION IN AUSTRALIA WILL SHOW A SUBSTANTIAL INCREASE OVER LAST YEAR, WHILE THE RICE OUTLOOK IS POOR IN CERTAIN AREAS IN ASIA, PARTICULARLY IN INDONESIA AND THE PHILIPPINES, THE SITUATION LOOKS MORE PROMISING IN THAILAND, THE REPUBLIC OF KOREA AND IN INDIA, WHERE THE KHARIF (AUTUMN HARVESTED) CROPS, NOT ONLY OF RICE BUT OTHER FEEDGRAINS AS WELL, ARE

LIKELY TO HAVE BENEFITED FROM THE MONSOON RAINS WHICH,  
OVERALL, ARE REPORTED TO HAVE BEEN SATISFACTORY.

QUOTE AS AT MID-SEPT. 1973, THE OUTLOOK FOR WHEAT IN  
1973/74 HAS CHANGED FROM WHAT IT WAS ONE MONTH AGO.  
POTENTIAL WHEAT EXPORT AVAILABILITIES ARE NOT PUT  
AT 58 TO 62 M. TONS AND IMPORT DEFICIT IN THE SUPPLY AND  
DEMAND SITUATION HAS BEEN REDUCED BY IMPROVED SUPPLIES IN  
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BOTH IMPORTING AND EXPORTING COUNTRIES, RATIONING THROUGH  
PRICE AND EXPECTED FURTHER REDUCTIONS IN ENDING STOCKS.  
PROVIDED THE CROPS STILL TO BE HARVESTED IN THE NORTHERN  
AND SOUTHERN HEMISPHERES DO COME UP TO PRESENT EXPECTA-  
TIONS AND , IN PARTICULAR, THE RICE AND OTHER FOODGRAIN  
CROPS IN SOUTH EAST ASIA ARE SATISFACTORY, IT WOULD SEEM  
THAT THE GENERAL WHEAT SUPPLY AND DEMAND SITUATION,  
WHILE UNDOUBTEDLY REMAINING TIGHT, IS SHOWING DEFINITE  
SIGNS OF IMPROVEMENT AND SHOULD PROBABLY EASE AS THE  
CROP YEAR DEVELOPS. END QUOTE.

IN ADDITION TO ABOVE THERE WILL BE SUPPLY/DISTRIBUTION  
TABLES RELEASED SHOWING POTENTIAL EXPORT AVAILABILITIES  
OF WHEAT DURING JULY 1973/JUNE 1974 OF 58 TO 62 MILLION  
METRIC TONS AND IMPORT REQUIREMENTS OF 62 TO 65 MILLION  
METRIC TONS.

IF YOU WANT DETAILS OF TABLES LET US KNOW AND WE WILL  
PHONE THEM TO YOU AT AG. ATTACHE OFFICE ROME THIS  
AFTERNOON. WILL ALSO REPORT ANY OTHER DEVELOPMENTS.

DECONTROL UPON RELEASE OF PRESS SUMMARY.

SOHM

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